

Giuliano Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, Oxford University Press, 2019, pp. 420

Giuliano Garavini's new book makes use of valuable archival sources to tell the story of OPEC in the twentieth century and, more broadly, that of international cooperation in the Global South as a pathway – sometimes real, sometimes imagined – to freedom and prosperity.

The book starts out in Venezuela, which by 1928 had become the world's leading oil exporter, a position it would maintain for the next forty years. In 1938, the "black gold" that Shell, Standard Oil and Gulf Oil extracted from beneath under the shores of Lake Maracaibo on the Caribbean coast provided 57% of world oil exports, and Venezuela was what Garavini calls the world's first "petrostate."

During World War II, Venezuela's political landscape changed and one Juan Pablo Pérez Alfonzo appeared on the scene as the top oil expert in Rómulo Betancourt's new government. Having studied for several years in the United States, he would become the key person behind the creation of OPEC. To start with, Pérez Alfonzo was tasked with overhauling Venezuela's own domestic oil policy. He famously made a deal whereby the Venezuelan state would get up to half of the oil companies' profits, through various taxes and royalties. This was celebrated as a huge success, but Garavini shows that the oil companies, which had feared a worse outcome, were just as happy. The "fifty-fifty" profit-sharing principle allowed them to continue make enormous profits;

if the government had pressed them harder, they most probably would have settled for much less. In any event, the “fifty-fifty” arrangement spread rapidly from Venezuela to other oil-producing countries, especially in the Middle East. The oil companies and the governments involved were now quite content. Both had strong economic incentives to scale up production and thereby increase their income. By extension, Pérez Alfonzo’s “fifty-fifty” principle stimulated the enormous increase in world oil consumption that came to play such a defining role in the decades of the post-war boom.

Critics of the arrangement argued that the governments of the oil-producing countries needed to acquire not just a larger share of the profits but more control over the oil industry. Especially after Nasser wrested control of the Suez Canal from the imperial powers in 1956, some favoured a radical expropriation and nationalization of oil production. “Oil technocrats” like Pérez Alfonzo were able to fend off such demands, at least for the time being. Although they certainly did not lack strong political opinions, they were primarily highly educated engineers, economists or lawyers with an impressively deep knowledge of the oil industry in its complexity. Pérez Alfonzo’s counterpart in Saudi Arabia was Abdullah Tariki, who in the late 1950s assumed responsibility for oil issues in the Saudi government. In 1959, Tariki and Pérez Alfonzo got to know each other in Cairo, where another oil technocrat, the Iraqi engineer Mohammad Salman – not to be confused with Saudi Arabia’s present-day crown prince! – had convened a gathering of delegations from the oil producers of the Arab world plus Venezuela and Iran. The meeting became the starting point for a new international organization for cooperation among the oil-producing countries, OPEC, which was formally established a year later.

Many in the West think of OPEC as an “Arab” organization. On the contrary, as Garavini emphasizes, from the very start it included an impressive diversity of countries and cultures. Venezuela, Iran, Iraq, Saudi Arabia and Kuwait were the founders, soon joined by Qatar, Indonesia and Libya. Later, the United Arab Emirates, Algeria, Nigeria, Ecuador

and Gabon became members (in that order). Garavini notes that the OPEC countries “found themselves on opposite sides of the Cold War divide, and even on opposing sides of various regional ‘cold wars’ as highlighted in the tensions between Iraq, Saudi Arabia, and Iran. Their citizens spoke different languages, belonged to different religious faiths, ate different foods, inhabited regions ranging from tropical forests to deserts, and organized themselves politically in different systems, including democracies, socialist regimes, and absolute monarchies” (p. 7). The OPEC countries had but one thing in common: oil.

By cooperating in what initially struck the rest of the world as a strange, unlikely alliance OPEC became a model for international cooperation among “developing countries.” The organization inspired other commodity producers. In 1967, for example, Chile, Peru, Zaire and Zambia formed an international council of copper-exporting countries, modelled on OPEC. Similar organizations were later formed for natural resources such as bauxite and iron ore.

The real breakthrough for OPEC came in the 1970s, when enormously increased global demand for oil, combined with OPEC member states’ dominance on the production side, gave the organization a unique opportunity to influence the market – and to push world history in a new direction. In parallel with the (in)famous Arab oil embargo of 1973, OPEC decided, in highly coordinated fashion, to raise the oil price unilaterally, roughly doubling it and then doubling it again.

This move impressed other developing countries. For the first time ever, the Global South had shown its strength and forced the rich countries of the North to adapt. Against this background, in the spring of 1974 an OPEC member, Algeria, took the initiative to a UN meeting, which adopted a “Declaration for the Establishment of a New International Economic Order.” OPEC considered itself the spearhead of the struggle against neo-colonialism and global injustice. The organization launched a giant development fund that channelled oil money to the world’s poorest nations: during the second half of the 1970s, these transfers amounted to an impressive 2.3% of the OPEC countries’

GDP; the corresponding figure for OECD countries' development aid programmes was just 0.3%.

Domestically, in the aftermath of the first oil price shock, the OPEC countries tried to use their mesmerizing revenues from oil extraction to carry out grand modernization and development projects. Hundreds of billions of dollars were invested in infrastructure, housing, health care and education. The period also saw serious efforts to diversify the petrostates' economies, for it was universally understood that the oil-producing countries would eventually have to become less dependent on oil, a finite, non-renewable natural resource.

However, some OPEC political leaders and oil technocrats believed that the overall development of their societies was proceeding too rapidly and producing chaos. A few were also surprisingly sensitive to the emerging environmental movement, as global concern grew that natural resources were being depleted. Pérez Alfonzo, for example, came out in the 1970s as a staunch critic of the wasteful ways in which oil and other natural resources were consumed. He became a guru for Venezuela's radicalized youth, promoting "degrowth" and framing oil as an exceptionally precious, almost mystical resource that should not be used as fuel. His ideas were largely shared by Iran's OPEC delegate, the US-educated lawyer, economist and engineer Jamshid Amouzegar, who since 1965 had served as the Shah's finance minister. Amouzegar was in favour of radically increasing the price of oil because it was "not right to completely exhaust this natural resource without having thought of the requirements of future generations" (p. 227).

It might seem easy to dismiss these arguments as exercises in hypocrisy, since the OPEC countries profited enormously from inflated oil prices and rapidly growing demand. But Garavini shows that the issue of morally and environmentally motivated reductions in oil consumption did not only crop up in OPEC's external communications. In fact, it was hotly debated in the organization's closed-door meetings. What we can discern here, he writes, is a vision of OPEC as an "ecological force" with the potential to save humanity and the Earth from a grim

fate. Moreover, the environmental arguments were a way for OPEC to strengthen its image and prestige in the West.

Saudi oil minister Zaki Yamani, who had replaced Tariki in 1962 (and who passed away only in February 2021 at the age of 90) did not belong to OPEC's environmental phalanx. In OPEC's internal meetings, he argued strenuously against radical price increases. Excessively high oil prices, he reasoned, would stimulate investment in alternative energy sources worldwide and also lead to oil prospecting and exploration in lands beyond OPEC's reach, ultimately eroding the power of the organization and its members. Yamani's resistance – his voice was powerful, given that Saudi Arabia produced 40% of OPEC's oil – appears to have been a key factor in the decision not to raise the oil price even more sharply in the late 1970s. The price never reached the extreme levels that Iran and a few other countries favoured. Nevertheless, the price hikes were large enough to make his predictions come true, and so, starting as early as the second half of the 1980s, it seemed that OPEC no longer controlled the global oil market. Internal conflicts – Iran and Iraq were at war with each other – added to the organization's weakness.

The oil price began to fall steeply in 1982, and in the following two decades oil remained extremely cheap, which stimulated a fateful global increase in consumption. For the OPEC countries themselves, low oil prices disrupted the grand national development projects that had been launched in the 1970s, whose budgets rested on the assumption that oil would remain expensive. In Venezuela, Iraq and Kuwait, by 1990 GDP per capita had returned to the levels of the 1960s.

Garavini's book is required reading for anyone interested in OPEC. It is rare to find a book on the oil history that takes on the challenge of developing a truly global analysis while at the same time delving in depth into the oil histories of individual countries. Garavini builds on archival sources from a range of OPEC member states. He also makes use of his own visits to them in a way that contributes nicely to the overall narrative.

Historians are not the only ones who should find the book valuable. Its message is highly topical, in view of the continued tension between commodity producers of the Global South and the rich countries of the North, and given the contemporary debate on climate and energy, where the need for detailed knowledge about the origins and (geo)political dynamics of fossil-fuelled civilization is omnipresent. OPEC's potential as an "ecological force," in particular, continues to be worth contemplating. OPEC's story can no longer be told without setting it in the wider context of humanity's struggle against climate change.

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